

## SHARED REVENUE AND TAX RELIEF

### GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY03 Adjusted Base	FY04 Recommended	% Change Over FY03	FY05 Recommended	% Change Over FY04
GPR	1,136,163,600	1,503,901,700	32.4	1,429,337,900	-5.0
PR-O	0	0	0.0	0	0.0
PR-S	55,160,000	57,892,000	5.0	50,300,000	-13.1
SEG-O	113,857,400	347,050,000	204.8	313,250,000	-11.8
<b>TOTAL</b>	<b>1,305,181,000</b>	<b>1,908,843,700</b>	<b>46.3</b>	<b>1,792,887,900</b>	<b>-6.1</b>

### FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY03 Adjusted Base	FY04 Recommended	FTE Change From FY03	FY05 Recommended	FTE Change From FY04
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

### AGENCY DESCRIPTION

Shared revenue and tax relief appropriations provide significant tax relief through unrestricted state aid to local governments and through tax credits to individuals.

The Shared Revenue Program consists of six appropriations. The shared revenue account appropriation distributes unrestricted state funds to all counties and municipalities based on relative fiscal effort and other factors. The expenditure restraint program account directs state aid to municipalities that restrain local spending growth and whose municipal tax rate exceeds five mills. Small municipalities' shared revenue provides state aid to certain municipalities with populations up to 5,000 and whose municipal tax rate is at least one mill. The county mandate relief account is paid to each county in proportion to population. The computer aid appropriation provides annual payments to local governments to offset the loss of tax base caused by the property tax exemption for computer equipment. Beginning in fiscal year 2004-05, the county and municipal aid account will replace the small municipalities' shared revenue account, the county mandate relief account and all but the utility portion of the shared revenue account.

The Tax Relief Program contains a variety of tax credit appropriations. The homestead tax credit provides property tax relief for homeowners and renters. The farmland preservation and farmland tax relief credits provide property tax relief to owners of farm property. Wisconsin's earned income credit provides low-income workers with children a refundable credit based on their earnings. Development zone credits provide incentives for businesses to operate in certain designated areas. The appropriation for cigarette tax refunds pays to the Native American Tribal Council 70 percent of all cigarette tax collected on cigarettes sold to non-Indians on Indian reservations.

The State Property Tax Credits Program contains the two credits reflected on taxpayers' property tax bills. The school tax credit provides relief for all taxpayers based on their taxation district's proportion of the state's total school levy. The lottery credit distributes lottery proceeds to homeowners.

The Payments in Lieu of Taxes Program consists of payments for municipal services. This appropriation provides payments to municipalities to offset the costs of certain local services provided to state-owned buildings located in their municipalities.

## **SHARED REVENUE AND TAX RELIEF**

### **GOVERNOR'S BUDGET RECOMMENDATIONS**

#### **RECOMMENDATIONS**

1. Restoring Shared Revenue
2. Municipal Shared Revenue Payments
3. Transportation Fund Support for Shared Revenue
4. Public Benefits Fund Support for Shared Revenue
5. Federal Match for Emergency Transportation Services
6. Consolidation Incentive Program
7. Computer Aid Reestimate
8. Earned Income Tax Credit TANF Reestimate
9. Public Benefits Funding for Earned Income Tax Credit
10. Sum Sufficient Reestimate
11. Lottery and Gaming Credit Reestimate

**Table 1**  
**Department Budget Summary by Funding Source (in thousands of dollars)**

	ACTUAL FY02	ADJUSTED BASE FY03	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY04	FY05	FY04	FY05
GENERAL PURPOSE REVENUE	\$1,731,467.5	\$1,136,163.6	\$1,745,293.7	\$1,700,506.7	\$1,503,901.7	\$1,429,337.9
Local Assistance	1,587,076.7	1,000,819.6	1,602,993.7	1,561,006.7	1,362,993.7	1,291,006.7
Aids to Ind. & Org.	144,390.8	135,344.0	142,300.0	139,500.0	140,908.0	138,331.2
PROGRAM REVENUE (2)	51,244.5	55,160.0	56,500.0	56,000.0	57,892.0	50,300.0
Aids to Ind. & Org.	51,244.5	55,160.0	56,500.0	56,000.0	57,892.0	50,300.0
SEGREGATED REVENUE (3)	118,993.4	113,857.4	117,050.0	116,150.0	347,050.0	313,250.0
Local Assistance	105,248.8	98,857.4	102,050.0	101,150.0	332,050.0	291,150.0
Aids to Ind. & Org.	13,744.6	15,000.0	15,000.0	15,000.0	15,000.0	22,100.0
TOTALS-ANNUAL	1,901,705.4	1,305,181.0	1,918,843.7	1,872,656.7	1,908,843.7	1,792,887.9
Local Assistance	1,692,325.5	1,099,677.0	1,705,043.7	1,662,156.7	1,695,043.7	1,582,156.7
Aids to Ind. & Org.	209,379.9	205,504.0	213,800.0	210,500.0	213,800.0	210,731.2

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

**Table 3**  
**Department Budget Summary by Program (in thousands of dollars)**

	ACTUAL FY02	ADJUSTED BASE FY03	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY04	FY05	FY04	FY05
1. Shared revenue payments	\$1,095,991.0	\$509,515.8	\$1,111,689.9	\$1,069,702.9	\$1,101,689.9	\$989,702.9
2. Tax relief	209,379.9	205,504.0	213,800.0	210,500.0	213,800.0	210,731.2
3. State property tax credits	574,553.8	568,162.4	571,355.0	570,455.0	571,355.0	570,455.0
5. Payments in lieu of taxes	21,780.7	21,998.8	21,998.8	21,998.8	21,998.8	21,998.8
TOTALS	1,901,705.4	1,305,181.0	1,918,843.7	1,872,656.7	1,908,843.7	1,792,887.9

**1. Restoring Shared Revenue**

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	608,594,100	0.00	569,802,100	0.00	608,594,100	0.00	569,802,100	0.00
TOTAL	608,594,100	0.00	569,802,100	0.00	608,594,100	0.00	569,802,100	0.00

The Governor recommends modifying the shared revenue programs to reflect the provisions of 2001 Wisconsin Acts 16 and 109. These provisions include returning shared revenue to GPR after the use of tobacco securitization proceeds to pay a portion of shared revenue in FY03, a one percent increase to shared revenue programs beginning in FY04 and a \$40,000,000 reduction to shared revenue programs beginning in FY05. These actions reflect current law and establish the base upon which the changes described below in Items #2 through #5 are taken.

**2. Municipal Shared Revenue Payments**

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	-70,000,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	-70,000,000	0.00

The Governor recommends reducing municipal shared revenue payments under the county and municipal aid account by \$70,000,000 beginning in 2004. The reduction will be made on a per capita basis and will eliminate most of the payments that had been distributed to localities based on population. The reduction preserves most of the funding previously distributed under the equalization component of shared revenue.

**3. Transportation Fund Support for Shared Revenue**

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-230,000,000	0.00	-170,000,000	0.00
SEG-O	0	0.00	0	0.00	230,000,000	0.00	170,000,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	0	0.00

The Governor recommends reallocating a portion of FY04 and FY05 shared revenue expenditures from the general fund to the transportation fund. Because one-time tobacco securitization funds were used in FY03 to support nearly \$600 million of shared revenue, the immediate return of all shared revenue to GPR creates an unworkable demand on the general fund during this period of slow economic growth. Since a very large portion of local transportation costs are not paid for through the General Transportation Aid program, shared revenue plays a significant role in the funding of local transportation expenditures. Consequently, allocating a portion of shared revenue costs to the transportation fund is appropriate and avoids further reductions to the program.

**4. Public Benefits Fund Support for Shared Revenue**

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	0.00	-20,000,000	0.00
SEG-O	0	0.00	0	0.00	0	0.00	20,000,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	0	0.00

The Governor recommends reallocating a portion of FY05 shared revenue expenditures from the general fund to the utility public benefits fund to avoid further reductions to the shared revenue program.

**5. Federal Match for Emergency Transportation Services**

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-10,000,000	0.00	-10,000,000	0.00
TOTAL	0	0.00	0	0.00	-10,000,000	0.00	-10,000,000	0.00

The Governor recommends shifting a portion of state aid to counties and municipalities from the shared revenue program to the Medical Assistance program to enable the state to gain federal matching funds for its support of local emergency transportation services. The reduction to shared revenue for this purpose will be made on a per capita basis. The amount removed from shared revenue will be paid through Medical Assistance to local governments incurring emergency transportation costs. While total state aids to counties and municipalities are unaffected by this action, minor distribution and timing changes are necessary to increase federal dollars that would otherwise be foregone. See Department of Health and Family Services, Item #39.

**6. Consolidation Incentive Program**

The Governor recommends repealing the Consolidation Incentive Program to eliminate an uncertainty in the state aid payments anticipated by local governments. Repealing the program gives local governments a more stable environment to seek efficiencies and savings on their own initiative without second-guessing by the state, and avoid an increase in administrative costs at both the local and state levels.

**7. Computer Aid Reestimate**

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	-6,420,000	0.00	-9,615,000	0.00	-6,420,000	0.00	-9,615,000	0.00
TOTAL	-6,420,000	0.00	-9,615,000	0.00	-6,420,000	0.00	-9,615,000	0.00

The Governor recommends reestimating computer aid payments to \$71,980,000 GPR in FY04 and \$68,785,000 GPR in FY05. These payments compensate local governments for the reduction in tax base caused by the exemption of computer equipment from the property tax.

**8. Earned Income Tax Credit TANF Reestimate**

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-1,392,000	0.00	-1,168,800	0.00
PR-S	0	0.00	0	0.00	1,392,000	0.00	-5,700,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	-6,868,800	0.00

The Governor recommends changing the estimated funding split between Temporary Assistance for Needy Families (TANF) and GPR from 80 percent/20 percent to 82 percent/18 percent.

**9. Public Benefits Funding for Earned Income Tax Credit**

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	0	0.00	0	0.00	0	0.00	7,100,000	0.00
TOTAL	0	0.00	0	0.00	0	0.00	7,100,000	0.00

The Governor recommends appropriating \$7,100,000 of public benefits funding to support the earned income tax credit. Funding for the earned income tax credit from the federal Temporary Assistance for Needy Families (TANF) block grant is being reduced in order to balance the TANF budget.

**10. Sum Sufficient Reestimate**

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	6,956,000	0.00	4,156,000	0.00	6,956,000	0.00	4,156,000	0.00
PR-S	1,340,000	0.00	840,000	0.00	1,340,000	0.00	840,000	0.00
<b>TOTAL</b>	<b>8,296,000</b>	<b>0.00</b>	<b>4,996,000</b>	<b>0.00</b>	<b>8,296,000</b>	<b>0.00</b>	<b>4,996,000</b>	<b>0.00</b>

The Governor recommends reestimating sum sufficient for the following state tax credits: homestead, earned income tax credit and farmland preservation tax credit.

**11. Lottery and Gaming Credit Reestimate**

Source of Funds	Agency Request				Governor's Recommendation			
	FY04		FY05		FY04		FY05	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	3,192,600	0.00	2,292,600	0.00	3,192,600	0.00	2,292,600	0.00
<b>TOTAL</b>	<b>3,192,600</b>	<b>0.00</b>	<b>2,292,600</b>	<b>0.00</b>	<b>3,192,600</b>	<b>0.00</b>	<b>2,292,600</b>	<b>0.00</b>

The Governor recommends reestimating proceeds available for the lottery and gaming credit to \$101,900,000 in FY04 and \$101,000,000 in FY05.